

Message Text

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ACTION AF-10

INFO OCT-01 ISO-00 SP-02 ICA-11 AID-05 EB-08 NSC-05
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FM AMEMBASSY LAGOS

TO SECSTATE WASHDC 9200

INFO USDOC WASHDC

AMEMBASSY BONN

AMCONSUL KADUNA

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E.O. 11652: N/A

TAGS: EAIR, EFIN, NI

SUBJECT: SUSPENSION OF AVIATION TAX TREATY

REF: (A) STATE 158825, (B) LAGOS 7919, (C) LAGOS 7907

1. PER REFTEL, EMBOFF LEARNED FROM D.A. OLORUNLEKE,

DIRECTOR, INLAND REVENUE THAT ON APRIL 1, FEDERAL MILITARY
GOVERNMENT (FMG) REVOKED ITS BILATERAL TREATIES EXEMPTING
AIRLINE AND STEAMSHIP COMPANIES FROM TAXATION AS PART OF
GERNERAL ACTION REPORTED REFTELS B AND C. OLORUNLEKE WAS
WELL AWARE THAT UNDER TERMS OF EXISTING TREATIES, THIS
MEASURE WOULD NOT TAKE EFFECT UNTIL JANUARY 1, 1979. HE
SAID 10 PERCENT TAX, REPORTED REFTEL, ONLY APPLIED TO COMPANIES
NOT OPERATING UNDER AN EXISTING TAX TREATY, HENCE PAN AM
WILL NOT BE EFFECTED.

2. OLORUNLEKE SAID FMG IS STILL INTERESTED IN RECIPROCAL

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TAX ARRANGEMENTS AND QUOTE THE DOOR IS OPEN UNQUOTE
TO COUNTRIES WHO WISH TO RENEGOTIATE. THIS AGREES
WITH OTHER FMG STATEMENTS REPORTED REFTEL B. SPECIFIC-
ALLY, IF THE U.S. WERE TO REQUEST NEGOTIATIONS, HE
SAID THAT WITHIN A SHORT TIME, NIGERIA WOULD PROPOSE
A DATE TO BEGIN. HE REVEALED THAT NIGERIA IS UNHAPPY
WITH CURRENT TREATY TERMS BUT WAS HESITANT TO GO INTO

SPECIFICS BEFORE ACTUAL NEGOTIATIONS BEGAN.

3. AFTER FURTHER DISCUSSION, IT BECAME CLEAR THAT HEART OF PROBLEM, FROM NIGERIAN POINT OF VIEW, IS THAT FOREIGN COMPANIES CARRY MOST OF THE GOODS TO AND FROM NIGERIA. THE SACRIFICE OF POTENTIAL REVENUE FOR THE U.S.A. EUROPE AND JAPAN IS MINIMAL WHEN COMPARED WITH REVENUES WHICH COULD BE CAPTURED BY NIGERIA. IN THIS REGARD, OLORUNLEKE SAID HIS PEOPLE WERE LOOKING INTO THE VOLUME OF TRADE CARRIED WITH EACH TRADE PARTNER AND WERE CALCULATING THE EFFECT OF A CHANGE IN TREATY TERMS, AS ONE PART OF AN OVERALL LOOK AT WHO GAINS AND WHO LOSES, HE ADDED THAT GOOD POLITICAL RELATIONS WOULD ALSO BE TAKEN INTO ACCOUNT.

4. IN THE UPCOMING ROUND OF NEGOTIATIONS, NIGERIA'S TEAM WILL BE LEAD OSTENSIBLY BY THE COMMISSIONER FOR FINANCE. ACTUALLY, OLORUNLEKE, A PERSONABLE TECHNICIAN, WILL REPRESENT NIGERIA. ABOUT 40, HE HAS BEEN IN TAX WORK ALL HIS LIFE. FORMERLY, HE WORKED FOR A STATE GOVERNMENT AND ASSUMED HIS CURRENT POST ONLY ONE MONTH AGO. OLORUNLEKE HAS BEEN TO THE U.S. ONCE, IN 1967.

5. COMMENT: REVOCATION OF RECIPROCAL TAX EXEMPTION LIMITED OFFICIAL USE

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FOR SHIPPING AND AIRLINE COMPANIES IS ONLY ONE ELEMENT IN THE ATTEMPT BY THE FMG TO BROADEN ITS REVENUE BASE. THE RECENT DECLINE IN OIL REVENUES, PROMPTED THE FMG TO INSTITUTE PORT USER CHARGES AND TO RAISE TARIFFS AND COMPANY TAXES. U.S. CARRIAGE PROBABLY FAR EXCEEDS NIGERIAN CARRIAGE OF GOODS BETWEEN OUR TWO NATIONS, SO NIGERIA WOULD HAVE MUCH TO

GAIN IF THERE WERE NO RECIPROCAL TAX TREATY. PRESUMABLY, WE WILL WISH TO MITIGATE OUR LOSS BY NEGOTIATING A NEW TREATY. IF WE DO WISH TO RENEGOTIATE, IT MIGHT BE GOOD TACTICS TO DO SO QUICKLY. FMG IS READY BUT WE GATHER THAT EUROPEANS ARE TRYING TO THRASH OUT A COMMON EC POLICY BETWEEN LOCAL EMBASSIES. IF U.S. TEAM IS WELL-ARMED AND FIRST TO NEGOTIATE, IT WILL HAVE GREATER CONTROL OVER THE OUTCOME. END COMMENT.

6. ACTION REQUESTED: PLEASE ADVISE AS TO WHETHER EMBASSY SHOULD NOTIFY NIGERIAN INLAND REVENUE OF OUR DESIRE TO RENEGOTIATE RECIPROCAL TAX EXEMPTION AS ALSO REQUESTED REFTEL B.
WYMAN

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